

## Message Text

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12

ACTION EB-06

INFO OCT-01 EA-06 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00

DOT-00 INR-05 NSAE-00 RSC-01 FAA-00 PA-01 USIA-06

PRS-01 SP-02 /031 W

----- 101905

R 240420Z OCT 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 4996

INFO AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: EAIR ID

SUBJ: "ONE GATEWAY" POLICY AND INDONESIAN CHARTER TRAFFIC

1. SUMMARY. SLUGGISH LEVEL OF BALI TOURISM HAS LED GOI TO ENCOURAGE TWO DOMESTIC AIRLINES, MANDALA AND MERPATI, TO BRING CHARTER GROUPS OF TOURISTS TO BALI FROM NEIGHBORING SEA COUNTRIES. LINES LEASE JETS FROM PELITA, PERTAMINA'S AIRLINE. WHILE DESIGNED TO SATISFY BALI TOURISM WITHOUT YIELDING TO PRESSURE FOR MODIFICATION "ONE GATEWAY" POLICY RESTRICTING BALI LANDING RIGHTS OF FOREIGN AIRLINES, IN ACTUALITY NEW POLICY ALLOWS SINGAPORE AIRLINES REGAIN BALIN LANDING RIGHTS UNDER COVER MANDALA CHARTER. PELITA MANAGEMENT TENTATIVELY CONSIDERING APPROACH TO SOME US AIRLINE ON COOPERATIVE ARRANGEMENT TO BRING TOURISTS FROM US. END SUMMARY.

2. HIGH VACANCY RATE IN BALI HOTELS IN RECENT MONTHS LED TO PRESSURE FOR RELAXATION OF "ONE GATEWAY" POLICY,  
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UNDER WHICH FOREIGN AIRLINES (WITH A FEW EXCEPTIONS

INCLUDING PAN AM) ARE NOT ALLOWED TO LAND IN BALI. PRESSURE HAS COME PRINCIPALLY FROM HOTEL AND TOURIST INTERESTS, ESPECIALLY INDONESIA HOTEL AND RESTAURANT ASSOCIATION AND TRAVEL AGENCIES; LATTER HELD JAKARTA SEMINAR IN SEPTEMBER WHICH RECOMMENDED GOI OPEN BOTH BALI AND MEDAN AIRPORTS FREELY TO FOREIGN CARRIERS. SERIES OF ARTICLES IN TEMPO NEWSMAGAZINE EARLY SEPTEMBER, AND OCCASIONAL PRESS EDITORIALS FOCUSED INCREASING ATTENTION ON CONTRADICTION BETWEEN RESTRICTIVE "ONE GATEWAY" POLICY AND CURRENT NATIONWIDE LOW OCCUPANCY RATES IN TOURIST HOTELS, WHICH HAVE OVERBUILT IN PAST YEAR IN RESPONSE TO SPECIAL GOVERNMENT INCENTIVES IN PREPARATION FOR PATA CONFERENCE.

3. TO BRING MORE TOURISTS TO BALI WITHOUT RELAXING "ONE GATEWAY", GOI LICENSED TWO DOMESTIC AIRLINES, P.. MERPATI NUSANTARA AND P.T. MANDALA SEULAWAH, TO CARRY CHARTER GROUPS OF TOURISTS TO INDONESIA FROM SINGAPORE, MALAYSIA, PHILIPPINES AND AUSTRALIA. MERPATI AND MANDALA, THE GOI HAS ANNOUNCED, WILL LEASE JETS FOR THIS PURPOSE FROM PELITA AIRWAYS-- SUBSIDIARY OF PERTAMINA WHICH SERVES OIL INDUSTRY AND IS ONLY INDONESIAN AIRLINE BESIDES GARUDA ALLOWED TO OWN JETS. TO ACCOMMODATE THESE LEASES, PELITA IN TURN HAS ADDED A BOEING 707 TO ITS JET FLEET, WHICH ALREADY INCLUDES BAC-111 AND FOKKER F-27 AND F-28 AIRCRAFT. (A BOEING 727 BOUGHT BY PELITA AT THE SAME TIME AS THE 707 WAS ANNOUNCED AS ALSO INTENDED FOR CHARTER TRAFFIC, BUT IS ACTUALLY BEING CONFIGURED AS AN EXECUTIVE AIRCRAFT FOR GOI TOP BRASS.)

4. UNDER NEW CHARTER POLICY, MERPATI OCTOBER 4 INAUGURATED WEEKLY CHARTER FLIGHTS FROM MANILA TO BALI, AND IS EXPERIMENTING WITH A DARWIN-BALI RUN. MANDALA SINCE JULY HAS OPERATED TWICE WEEKLY SINGAPORE-BALI CHARTER FLIGHTS AND IS PLANNING TO START KUALA LUMPUR-BALI OPERATIONS BEFORE 1975. EMBASSY INFORMATION, HOWEVER, IS THAT THE FLIGHTS FROM SINGAPORE TO BALI ARE ACTUALLY PERFORMED BY LIMITED OFFICIAL USE

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SINGAPORE AIRLINES, AS RESULT OF AN ARRANGEMENT WITH MANDALA GENERALS, WHICH IN EFFECT ALLOWS SINGAPORE AIRLINES TO GET AROUND ONE-GATEWAY POLICY WHICH DEPRIVED IT OF BALI LANDING RIGHTS.

5. THE PRESIDENT-DIRECTOR  
SYCQMITA, BRIG GENERAL  
R. HARYONO, TOLD EMBOFF THAT CHARTER DECISION WAS

MADE BY PRESIDENT SUHARTO HIMSELF IN EARLY JUNE, WHEN HE VISITED BALI WITH BURNESE PRESIDENT NE WIN. DEPRESSED BY VACANCIES IN NEW LUXURY HOTELS, SUHARTO ORDERED HARYONO AND LTGEN SURYO--WHO HEADS BOTH MANDALA AIRWAYS AND THE HOTEL INDONESIA INTERNATIONAL CORPORATION--TO WORK OUT CHARTER ARRANGEMENT INVOLVING PELITA JETS AND DOMESTIC AIRLINES. ACCORDING TO HARYONO, GARUDA WAS NOT CONSIDERED BECAUSE IT HAS INSUFFICIENT AIRCRAFT AND IS NOT INTERESTED IN CHARTERS. (THIS SEEMS DISINGENUOUS; GARUDA IS REGULARLY BUYING NEW JETS AND IS APPLYING FOR RIGHTS TO FLY CHARTERS FROM BIAK TO GUAM.)

6. NEW POLICY HAS EARMARKS OF SUCCESSFUL EFFORT BY GROUPS OF GENERALS TO DEVELOP A SECTOR OF AVIATION BUSINESS, APPARENTLY AT EXPENSE OF GARUDA. PELITA IS CONTROLLED BY LTGEN IBNU SUTOWO OF PERTAMINA. MERPATI (BESIDES GARUDA THE ONLY STATE-OWNED AIRLINE) IS A TRADITIONAL AIR FORCE PRESERVE RUN BY AN AIR VICE MARSHAL. MANDALA IS PRIVATELY OWNED BY DHARMA PUTRA FOUNDATION, A HOLDING COMPANY FOR KOSTRAD (ARMY STRATEGIC COMMAND), WHICH STILL RETAINS CLOSE TIES TO ITS FORMER COMMANDER, PRESIDENT SUHARTO.

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7. COMMENT. THIS CHARTER TRAFFIC SO FAR IS SMALL BUT LIKELY TO GROW IN IMPORTANCE AS INTERESTS INVOLVED REACH OUT FOR SOURCES OF MORE AFFLUENT TOURISTS. POSSIBLE THAT A US AIRLINE OR AIRLINES MAY EVENTUALLY GET SOME OF THE ACTION. COL HARYONO TOLD EMBOFF THAT PELITA IMPRESSED WITH CHARTER POSSIBILITIES AND HE PERSONALLY INTERESTED IN FINDING A WAY TO BRING GROUPS OF TOURISTS FROM LOS ANGELES AREA TO BALI, UNDER SOME UNSPECIFIED FORM OF COOPERATION WITH A US AIRLINE. HE DID NOT NAME ANY AIRLINE, BUT IT WAS CLEAR HIS THINKING NOT CONFINED TO PAN AM. HARYONO'S TENTATIVE THOUGHTS HAVE OBVIOUS IMPLICATIONS FOR POSSIBLE FURTHER WEAKENING OF "ONE GATEWAY". EMBASSY WILL SOUND HIM OUT AGAIN AFTER AN INTERVAL TO SEE IF HIS IDEAS HAVE JELLED.

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## Message Attributes

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